



CITIZEN GUIDE TO REDEVELOPMENT



CALIFORNIA
REDEVELOPMENT
ASSOCIATION



re•de•vel•op (rē•di-vel•əp) To restore to a better condition.

CA.RE.

CALIFORNIA REDEVELOPMENT

REVITALIZE
RENEW
RESTORE
REFORM
RECREATE
REANIMATE
REBOUND
REBUILD
REPLACE
REDO
RECLAIM
REARRANGE
REBIRTH
RECONDITION
REGAIN
REASSEMBLE
REDEEM
RECAST
REDISCOVER
REEMERGE
REENGINEER
RECONSTRUCT
REFASHION
REFRESH
REPLACE
REORGANIZE
REVISE
RECOVER
REFINE
RECTIFY
REENTER
REGENERATE
REHABILITATE
REINVENT
REVALUE
RETRIEVE
RESURGE
RESURRECT
REVERSE
REINVEST
REESTABLISH
REMEDY
REFURBISH
REEXAMINE
REINSTATE
REVIVE
REMODEL
RENOVATE
REFIT
REINFORCE
REDECORATE
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RESCUE
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REPEOPLE
RENAISSANCE



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Citizen Guide To Redevelopment In California

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QUICK REFERENCE SUMMARY

ANSWERS TO TWELVE COMMON QUESTIONS ABOUT REDEVELOPMENT

1. What is Redevelopment?

Redevelopment is a process created to assist city and county government in eliminating blight from a designated area, and to achieve desired development, reconstruction and rehabilitation including but not limited to: residential, commercial, industrial, and retail.

2. What is a Redevelopment Agency?

In most cities, the city councilmembers are also the governing board for the redevelopment agency, however, the council and the agency are two separate, distinct legal entities. The agency members hire staff to carry out the day-to-day operations and its redevelopment plans. In most counties, the board of supervisors is the governing board.

3. Of what benefit to a citizen is being in a Redevelopment Project Area?

Redevelopment is one of the most effective ways to breathe new life into deteriorated areas plagued by social, physical, environmental or economic conditions which act as a barrier to new investment by private enterprise. Through redevelopment, a project area will receive focused attention and financial investment to reverse deteriorating trends, create jobs, revitalize the business climate, rehabilitate and add to the housing stock, and gain active participation and investment by citizens which would not otherwise occur.

4. What is a Redevelopment Plan?

A redevelopment plan represents a process and a basic framework within which specific projects will be undertaken. The plan provides the agency with powers to take certain actions such as to buy and sell land within the area covered by the plan (project area), improving dilapidated facilities and to use tax increment financing.

5. What is a Project Area?

A project area is the area within which actual redevelopment will take place. The project area must first go to public hearing (giving citizens who will be included in the project area a chance to express their views) after which the redevelopment agency acts on the adoption of the project area and becomes primarily responsible for future projects.

6. Why do we have Redevelopment Projects?

The basic reason for establishing redevelopment projects is to secure funds that can be used to attract commercial, industrial, and residential development in order to eliminate blight and improve an area.

7. How do Redevelopment Agencies secure funds?

The state law makes available to redevelopment agencies a method of obtaining funds called "tax increment financing." On the date the city council approves a redevelopment plan, the property within the boundaries of the plan has a certain total property tax value. If this total assessed

valuation increases, most of the taxes that are derived from the increase go to the redevelopment agency. These funds are called "tax increments." Usually, the flow of tax increment revenues to the agency will not be sufficient in itself to finance the full scope of redevelopment activities and development projects. Therefore, agencies issue bonds. These bonds are not a debt of the city or county and are repaid solely from tax increment revenue. Tax increments can be used only in the same project which generates them, except for residential projects which benefit low- and moderate-income households.

8. Will property taxes be raised?

It is important to note that higher taxes from the sale, development or rehabilitation of property reflects a rise in property value and not an increase in tax rate. Until a property is improved or sold, assessed values and tax rates in redevelopment areas are restricted by Proposition 13 limitations.

9. Why does the Agency have the power of eminent domain (condemnation of property)?

Private developers seldom can assemble many separate parcels of land into a site large enough for their needs. One small "hold out" can refuse to sell at any price and block the entire development. The agency can, if necessary, use its power of eminent domain to acquire the hold-out parcel and permit the development to proceed in order to reduce or eliminate a blighting condition.

10. What is relocation?

Relocation is the displacement of a business or family for the purpose of clearing land and preparing it for its designated use. When a person or business meets the legal qualifications, the redevelopment agency pays for: assistance in finding a new location, payments to help cover moving costs, and payments for certain other costs as provided by law.

11. If a citizen should decide to sell property to the Agency, who determines the selling price?

The agency would hire an independent appraiser to establish the fair market value of the property. If the owner is not satisfied with the appraised value of the property, he may hire his own appraiser to re-evaluate the property after which both appraisals will be compared and a selling price negotiated. Fair market value is the value that the property would have if it were placed in today's market place and sold.

12. How will this affect the city/county and other taxing agencies in regard to tax revenue loss?

Other taxing agencies will lose part of the new property taxes generated by redevelopment, but will continue receiving the base revenues. In most blighted areas, property values would not increase without redevelopment activities. Other taxing agencies will receive non-property tax revenues and revenues generated outside the project area as a direct result of redevelopment activities, i.e., sales taxes, hotel room taxes, and property taxes.

IS REDEVELOPMENT NECESSARY?

Why should we consider Redevelopment?

Redevelopment is one of California's most effective ways to breathe new life into deteriorated and blighted areas plagued by a variety of social, physical, environmental, and economic conditions which act as a barrier to new investments by private enterprise.

Redevelopment, under the California Community Redevelopment Law, is one of the last available processes which has the authority, scope, and financial means to provide the necessary stimulus to reverse deteriorating trends, remedy blight, and create a new image for many communities. Community redevelopment operates under the control of the local governing body.

Redevelopment involves:

- ✧ Comprehensive planning for revitalization
- ✧ Citizen and property owner participation
- ✧ Public and private enterprise partnerships
- ✧ Improved public facilities



Communities with limited financial resources can use funds from redevelopment projects to rehabilitate property, build better homes, create jobs, stimulate private business and development, and create investment to accomplish what could not be done by other public or private means without redevelopment.

What is a deteriorating or blighted area?

Deteriorating or blighted areas have serious adverse social, economic, and physical conditions which constitute a danger to the health, safety, and general welfare of the people of the community. These deficiencies include:

A. Physical Deterioration

- ✧ Aging, deteriorating, unsafe, and poorly maintained buildings and structures sometimes intermingled with historically significant structures as well as some well-maintained buildings;
- ✧ Inadequate and obsolete infrastructure, i.e., utilities, storm drainage, sewers, street lighting, and confusing and inefficient street systems;
- ✧ Factors that substantially hinder the economically viable use of lots or buildings;
- ✧ Incompatible adjacent or nearby uses that prevent economic development;

- ✧ A clutter of utility lines, jumble of signs, and a lack of architectural unity and quality;
- ✧ Code violations and unsafe conditions; and
- ✧ Multiplicity of property owners, inadequate or irregular-sized lots, and incompatible mixtures of land uses.

B. Economic Deficiencies

- ✧ High business vacancies, low lease rates, high turnover rates, or abandoned buildings;
- ✧ Depreciated or stagnant property values or impaired investments;

- ❖ Hazardous waste;
- ❖ Underutilized and underdeveloped land;
- ❖ Excess of bars or liquor stores or adult uses that have caused problems for public safety or welfare;
- ❖ High crime rate;
- ❖ Lack of necessary commercial facilities that are normally found in neighborhoods, such as banks or grocery stores; and
- ❖ Deteriorating, unsafe, and substandard housing conditions, and residential overcrowding.

Should I care about Redevelopment?

As a declining area is improved and the causes of blight eliminated the entire community benefits through the creation of new or restored homes, prospering businesses, more attractive public areas and parks, and renewal of civic pride.

Because you do not live in a blighted area, or because you avoid such areas, does not mean that you are safe from the effects of deterioration and decay in the community. The California Community Redevelopment Law was passed in recognition of the fact that the problems and adverse impacts of deteriorating areas cannot be confined and ignored for the following reasons:



A. Deteriorating areas cannot pay their own way.

These areas require more public services such as public safety, public works, and welfare than the tax revenue produced in the area can fund. In other words, these areas are a financial drain on the rest of the community. Your tax dollars and those of your neighbors are being diverted to meet the needs of decaying and blighted areas.

B. Deteriorating areas become centers of poverty, overcrowding, crime, and disease for those who are trapped there.

These areas can become like prisons for those who are powerless to change their way of life. People living in deteriorated and often times overcrowded conditions can become the victims of crime and disease which have serious social consequences.

C. There are no natural barriers to blight.

Deterioration, if not arrested, tends to expand, thereby potentially affecting the health, welfare, and safety of those living, shopping, and doing business on the outskirts of the deteriorated area. Deterioration spills over its existing boundaries and so affects an ever-widening circle of residents and businesses. Like a disease, if the causes are treated in the early stages there is more likelihood of recovery.



Should I care about Redevelopment? ***(continued)***

D. Deterioration results in an economic drain on the community.

As offices, industries, services, and shops leave deteriorated areas, the jobs and dollars which would have been spent there are lost. In many cases, these businesses will relocate outside the community itself. The relocation of one business encourages more firms to leave and the out-migration snowballs. Further, vacated residential and commercial structures become an economic detriment to the community through devaluation and economic depreciation. Shopping areas and jobs move farther and farther away stranding the transit-dependent and causing those with automobiles to travel farther for the basic necessities of life or to a workplace.

Residents must spend increased dollars and travel time to find employment, shopping, and recreation outside the area. Dollars, which had come to the community, are spent elsewhere.

E. A deteriorating area results in a negative image which can affect development elsewhere in the community.

What an area has to offer in terms of labor, land, consumers, suppliers, transportation, and environment plays a major role in business location decisions. If deterioration is not stopped and turned around, the community could be chosen less often as the site for new business developments. A thriving community is a

definite positive advantage; a decaying one can be a major deterrent to new investment. This may result in many people avoiding the community.

How did this happen? Why wasn't this area in our community helped earlier?

Once blight begins to destroy the lifeblood of an area, many people often lose interest in that area. They may not foresee the extent and rate of decay and may not be aware of the price of deterioration for the remainder of the area. The owners of private businesses and homes are often afraid to invest more money in improving their property unless they are assured the entire area will be improved. Foresight and courage are needed to meet the challenge to reverse the downward economic, social, and physical trends in the community. Redevelopment money is available in the form of tax increment financing only if a community chooses to take action to create a redevelopment agency.

Will we lose the good things we already have by supporting a deteriorated area?

When a redevelopment plan is adopted, only the incremental property tax revenues generated within a designated project area become available for redevelopment. Property tax revenues generated outside the project area do not fund redevelopment projects and receive, as usual, revenues based on the increases in their



assessed value and population. In addition, sales, hotel, and utility taxes generated within a project area go to a city's general fund. These taxes can exceed the amount of property tax revenue that has been diverted to redevelopment.

Revitalization of blighted areas, in the long run, helps relieve the tax burden shouldered by other areas of the community. As the project area is revitalized, it begins to generate enough revenues to pay its own way and contribute to other areas of the community. When a redevelopment project ends, the property taxes from the increase in property values flow to all other taxing agencies.

Why have other efforts to renew such areas failed?

A well-planned and adequately financed strategy is required to stop deterioration in its tracks and begin the process of economic, social, and physical revitalization.

Many major revitalization projects fail for a number of reasons. While good intentions and considerable efforts are made, the complexity of the task, the enormity of financial resources required, and the difficulty of coordinating diverse interests sometimes stymie public and private efforts at revitalization. Multiplicity of ownership, inadequate public facilities, financial limitations, and widespread environmental decay place the possibility of revitalization beyond the reach of private enterprise. Acting alone, private enterprise does not have the legal authority to consolidate numerous properties for new development in an older area and seldom can afford the high cost of rebuilding an area. The high risk and fear of the loss of an economic investment prevents private enterprise from reversing the downward trend in a blighted area without government assistance.



Why can't private enterprise do it alone?

Community redevelopment is usually accomplished by forming a partnership of public and private enterprise. Public funds are used to lay the foundation and provide the preconditions which are necessary for private enterprises to be interested and capable of investing their dollars and manpower in the blighted area. Local public funds are, in essence, used as seed money which will leverage much greater private investment. These funds can be used for improvement of streets, utilities, landscaping, parking, and also assembly of parcels of sufficient size for modern development in order to encourage and attract private development. The additional tax dollars created in the project area due to redevelopment are used to change adverse social, economic, and physical conditions and improve the lifestyle and environment of community residents.

New tools, new resources, and new ideas are required. The California Community Redevelopment Law provides for the necessary planning, financial tools, legal authority, and citizen participation to successfully revitalize blighted areas. Through this process, a partnership of public and private efforts can join forces to combat blight and bring new life to deteriorating areas.

What will Redevelopment mean to me?

A revitalized area encourages new investments, new jobs, and new opportunities for shopping, recreation, and residency in the community. Revitalization efforts have positive effects which spill over the boundaries of a redevelopment area and improve the entire community.

What does Redevelopment involve?

Redevelopment includes a variety of activities:

A. Rehabilitation and Reconstruction

Existing structures may be modernized and improved; deteriorating and substandard structures may be brought up to current design standards and building code requirements.

B. Redesign and Re-planning

Areas with inefficient and improper site layout, lacking adequate parcel size and shape, accessibility, or usefulness may be redesigned. Areas difficult to develop due to fragmented ownership, tax delinquency, or other causes may be redesigned, replanned, and assembled for new development.

C. Assistance to Private Development

Undeveloped or underutilized areas can be developed on an accelerated basis with the assistance of the



Before

After



redemption program. Redevelopment agencies can assist private businesses and developers through reduced land costs, loans, and other means.

D. Demolition and Clearance

Existing structures, building, or other improvements may be cleared or moved from property acquired by the redevelopment agency to accomplish needed redevelopment.

E. Capital Improvement Project Implementation

Areas may be improved through the construction of public facilities including, but not limited to, public buildings, streets, curbs, gutters, sidewalks, sewers, storm drains, water systems, and street lights.

F. Affordable Housing Development

Redevelopment agencies must use at least twenty percent of their funds to create affordable housing for people of low or moderate incomes.



What are the community-wide benefits of Redevelopment?

The positive effects of redevelopment that extend outside the project area include:

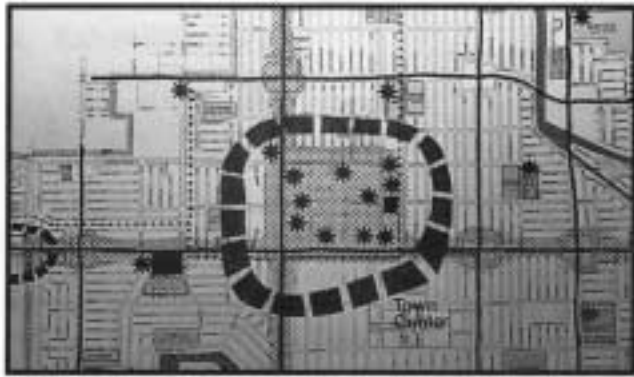
- ❖ More job opportunities (retail, service, office, and/or manufacturing jobs);
- ❖ Construction jobs created by the development of new buildings and new infrastructure and the remodeling of existing buildings;
- ❖ New cultural, shopping, and recreation opportunities within the community;
- ❖ More dollars flowing into the city or county budget as a result of redevelopment activities (sales tax, hotel tax, and utility tax revenues) in order to provide greater public safety and services;

- ❖ Reversal of the financial drain of the blighted area into a positive financial asset to the community;
- ❖ Improvement of the area without increasing an individual's property taxes (unless there is a change in ownership, new construction, or major remodeling);
- ❖ Stopping the spread of deterioration and blight;
- ❖ Improving the safety and environment of adjacent areas;
- ❖ Restoration of community pride; and
- ❖ Tax dollars are no longer diverted to meet the demands of a decaying area.

WHAT IS THE REDEVELOPMENT PROCESS?

What authority allows for Redevelopment?

The California Community Redevelopment Law, contained in the California Health and Safety Code beginning with Section 33000 *et seq.*, provides the authority and implementation provisions for a redevelopment program. Article XVI, Section 16 of the California Constitution, adopted in 1952 by the voters of the state, provides for tax increment financing, an important mechanism for implementation of the California Community Redevelopment Law.



How does Redevelopment start?

The California Community Redevelopment Law provides that any county or city can establish a redevelopment agency by the action of their governing body.

Who is the governing body?

In all but sixteen agencies in California, the governing body of the community (either the city council or board of supervisors depending upon whether it is a city or county agency) also acts as the board of the develop-

ment agency. Therefore, the agencies are headed by elected officials answerable to the voters of the community for their actions.

Isn't the Redevelopment Agency just another layer of government which causes a greater bureaucracy in our community?

No. While the agency is legally a separate unit of local government, the governing body of the community usually sits as members of the agency. The agency provides another tool available to a city or county to fulfill the specific need in the community revitalization. The redevelopment agency enables the city or county to bridge the roles of the public and private sectors.

How is a Project Area chosen?

The governing body first designates a survey area. The survey area includes properties to be evaluated to determine the existence of blight and the feasibility of redevelopment. Based upon this evaluation, the planning commission selects one or more "project areas" and indicates how the purpose of the Community Redevelopment Law can be attained by redevelopment of the area. A project area which contains blighted conditions is where redevelopment activities may be undertaken.

Specifically, how does the law define a blighted area within a Project Area?

A blighted area is characterized by conditions causing a reduction of proper use of the area to such a extent that it constitutes a serious physical or economic burden on the community which cannot reasonable by expected to be reversed or alleviated by private enterprise acting alone.

Do all properties, parcels, or structures, need to be blighted in order to be included in a Project Area?

A project area may include lands, building, or improvements which are not detrimental to the public health, safety, or welfare of the community, but whose inclusion is found necessary for the effective redevelopment of the area. These areas may not be included for the sole purpose of obtaining the allocation of tax increment revenues from such areas without other substantial justification for their inclusion.

Does a Project Area need to be contiguous?

The project area may include contiguous or non-contiguous properties. Non-contiguous areas of a project area must be either blighted or necessary for effective redevelopment. An unblighted non-contiguous area is conclusively deemed necessary for effective redevelopment if the area is being used predominantly for the relocation of owners or tenants from other project areas in the community or for low- and moderate-income housing construction.

What is a Redevelopment Plan?

A redevelopment plan describes the purposes, goals, and objectives aimed at eliminating existing physical and economic blight. The redevelopment plan must be in harmony with the City or County General Plan. A redevelopment plan generally contains the following components:



- ❖ A legal description of the project area in written and graphic form and a description of land uses;
- ❖ A description of the proposed actions to be taken to carry out redevelopment, covering the duties, powers, and authorities of the redevelopment agency as well as describing the rights of owners and tenants;
- ❖ A description of the authority and limitations for financing the activities necessary to implement the plan; and
- ❖ A plan for how the agency will implement redevelopment projects to remove the blight.



What is a Project Area Committee (PAC)?

A PAC is required if a redevelopment project area includes a substantial number of residential units for low- and moderate-income persons and families that might be displaced. The agency must consult with, and obtain the advice of residents, property owners, business owners, and community organizations in a project area, who are elected to the PAC, on those policy matters which deal with the planning and provision of replacement residential facilities, relocations, and other policy matters which affect the residents of the project area.

What may a Redevelopment Agency do?

The Agency may:

- ✧ Acquire or assemble land for public or private reuse through legal means. These legal means may include:

A. Negotiated Purchase

A mutual agreement between the Agency and a seller to transfer land and/or improvements for a specified price, usually the fair market value.

B. Eminent Domain

When the power of eminent domain is contained within the finally adopted redevelopment plan, the agency may exercise its authority to acquire land and/or improvements by eminent domain if all efforts to negotiate a purchase have failed. The agency is required by law to pay fair market value in such an action and the property owner is entitled to a jury trial on the issue of fair market value.

- ✧ Clear, grade, and prepare acquired land for reuse or for resale to private developers or government agencies in accordance with the objectives of the redevelopment plan;
- ✧ Construct public improvements and facilities alone or in concert with other public authorities and agencies;
- ✧ Encourage public and private improvements so as to prevent, mitigate, or eliminate existing and/or anticipated blight conditions in the project area; and/or
- ✧ Demolish, remove, rehabilitate, alter, modernize, and cause general improvements to be made to existing structures in the project area where such are permitted or required under provisions and in conformance with the redevelopment plan.

The Agency shall:

- ✧ Provide moving and other relocation assistance

and benefits to qualified individuals, businesses, and non-profit organizations when they are required to move as a result of the implementation of the redevelopment plan;

- ✧ Provide for owner participation in the redevelopment of property in the project area and extend reasonable preference to persons who are engaged in business in the project area to reenter into business within the project area;
- ✧ Provide for the use of 20 percent of tax increment revenues resulting from the project area to be used for the purpose of increasing and improving the community's supply of housing for persons and families of very low-, low-, or moderate-income unless particular findings are made by the redevelopment agency that relieve it of such a requirement; and
- ✧ Provide an equal number of replacement dwelling units for low- and moderate-income dwelling units destroyed or removed from the project area by the agency.

After the Redevelopment Plan is adopted how is the community assured that the Agency will carry out the Plan?

All substantial activities and actions of the agency require consideration and approval by elected representatives at a public meeting or public hearing with notice duly given, as appropriate. In addition, activities of the agency are first approved at a public meeting during the adoption of the annual budget, at which time it also establishes its goals for the coming year and analyzes its achievements toward goals set in the previous year. Additionally, the law requires that the agency prepare an annual report and have an independent audit prepared of its redevelopment activities which must be submitted to the governing body and to the State Controller. These are available for public inspection and comment. Further, a redevelopment agency must adopt or update a plan that provides information about projects that the agency plans to undertake at least every five years.

Who adopts the Redevelopment Plan?

A redevelopment plan is adopted by ordinance of the governing body of the community based on the recommendations of the agency, the Planning Commission, and Project Area Committee (if formed). Citizen input, at the required public hearings, is also considered before plan adoption.

Do the citizens vote on whether or not to have Redevelopment?

There is usually no direct citizen vote to affirm or deny the formation of a redevelopment area. However, citizen participation is an essential ingredient in any successful redevelopment program. Formation of a Project Area Committee to review the proposed plan is encouraged, though not required unless there are a substantial number of low- to moderate-income residential units in the project area. In addition, the

Redevelopment Law provides a sixty (60) day period after a redevelopment plan ordinance is adopted during which the creation of a project area can be challenged through litigation and a ninety (90) day period for referendum petitions that could require a vote on the redevelopment plan.

Does the public have a voice in Redevelopment?

A continuing dialogue with the public is crucial to a successful redevelopment program. Without citizen input, ideas, and support, any redevelopment plan will falter. Citizens have a role to play in creating revitalized areas. The redevelopment plan for a project area is presented at a public hearing and citizens are given an opportunity to review and comment on the plan. Meetings of the agency and Project Area Committee are open to the public.



I'M IN A REDEVELOPMENT PROJECT AREA

What does it mean to be in a Project Area?

If you are in a redevelopment project area, you will have an opportunity to participate actively in improving the quality of life in your neighborhood. A community redevelopment program includes a large amount of reuse and enhancement of existing facilities as well as reinforcement of existing neighborhoods.

Property owners, residents, and businesspersons may benefit from redevelopment in the following ways:

- ❖ A wider range of jobs available;
- ❖ Improved community services;
- ❖ New construction and remodeling;
- ❖ Improved traffic circulation patterns;
- ❖ Increased property values;
- ❖ Availability of loans to improve property;
- ❖ More affordable housing;
- ❖ Improved properties;
- ❖ Poor health and safety conditions eliminated; and
- ❖ More recreation and leisure time opportunities.

If I live in a Redevelopment Area, does it mean that I live in a slum?

If you live within the boundaries of a redevelopment project area, it does not necessarily mean you are a slum dweller or that your home is blighted. You may very well reside in an area which is surrounded by, or adjacent to, deteriorated areas. You may live in an area which needs public improvements such as better street lighting, curbs, drainage facilities, alley improvements, or parks. You may live in an area which could benefit from rehabilitation and beautification.

I like my home, I like my neighbors. If I am in a Redevelopment Project Area, does that mean that I will lose my home and have to leave?

Simply living in a redevelopment project area does not mean that you will be forced to move. Redevelopment is not a bulldozer waiting around the corner. There may be some need for relocation, demolition of existing buildings, and recycling of urban land. These activities are part of a carefully thought-out redevelopment plan designed to fulfill the needs and desires of the majority of residents, property owners, and business owners for the betterment of the community. Only properties essential for revitalizing a declining area are purchased by an agency.

When will I find out what is going to happen to my home or business?

The redevelopment plan will be carried out in a series of stages. Timely notices are sent to residents and businesses which will be directly affected by redevelopment activities.

You have an opportunity to help decide what is going to happen to your neighborhood. Redevelopment does not try to surprise you. It is not intended to be a bolt out of the blue without any warning. A public information program will usually keep citizens well informed about redevelopment and a Project Area Committee is often formed to facilitate communication between citizens and the redevelopment agency.



If a neighborhood is not slated for clearance, how will it be affected by Redevelopment?

Seldom is a neighborhood slated for total clearance. Redevelopment is typically a means for improving neighborhoods. The following examples are a partial list of improvements that could be made in neighborhoods:

- ✧ Street landscaped with trees, shrubs, and flowers;
- ✧ Sidewalks, drainage facilities, gutters, and curbs installed;
- ✧ Alleys paved, improved, and repaired;
- ✧ Reduction of through traffic on residential streets;
- ✧ Street lighting improved;
- ✧ Loans and grants for rehabilitation of homes made available;
- ✧ Neighborhood parks, greenbelts and bike paths constructed; and
- ✧ Buffers constructed between conflicting land uses.

But you say some property acquisition may occur, what happens then?

Whenever it is necessary to acquire property within a project area, the agency will pay the fair market value for the land and improvements as required by law. Fair market value is determined by independent private appraisers. In addition to getting a fair price for your property, the agency, under the California Relocation Assistance Act, must offer relocation assistance and allowances to defray certain costs and alleviate the inconvenience of your move. In all cases, negotiated settlements are the goal. A negotiated purchase is one which is acceptable and fair to both the buyer and the seller.

If citizens must leave their homes (whether one rents or owns the home), a relocation specialist will help them to find decent, safe, and sanitary replacement homes which are at least comparable to their present homes in terms of price, size, and neighborhood conveniences.

If they are living in overcrowded conditions, the law requires the agency to assist in relocation to a home of adequate size. If their homes are in poor condition (such as inadequate plumbing), the law requires that they be relocated to homes that are in satisfactory condition.

Relocation housing must be available to persons of all races, religions, and nationalities. It is their choice where they want to relocate, not the redevelopment agency's.

What about Eminent Domain?

At times, it may be necessary for the agency to use eminent domain to acquire property. Eminent domain is the authority for a public agency to acquire property for a purpose that is in the public interest. It is not used lightly. The public agency is required by law to hold public hearings on the action, to pay the owner fair market value, and to give the occupant all relocation benefits and allowances to which one is entitled by law. If the fair market value cannot be agreed upon, all of the evidence, including appraisals, is submitted to the court and a judge or jury makes the final determination regarding value. Again, this is a seldom used process by most redevelopment agencies. However, the authority to use eminent domain is needed on occasion when a property owner refuses to sell or when agreement on the fair market value cannot be reached.

When are relocation benefits available?

If a household or business is displaced due to property acquisition by the agency, occupants are entitled by law to certain moving assistance benefits.

When they meet the legal qualifications, relocation benefits include:

- ✧ Assistance in finding a new location;
- ✧ Payments to help cover moving costs;
- ✧ Differential payments for increased rent; and
- ✧ Additional payments for certain other costs.

Will I have a voice in what happens to my neighborhood?

Each neighborhood has different goals and needs. The people who reside, own property, or have a business in that area should participate in decisions affecting their families and lifestyles. Without their participation, there can be no plan which will fit their needs and desires. Communities encourage citizen participation in several ways. You may be able to serve on a neighborhood committee, attend a community forum, speak at a public hearing, write a letter to the governing body, sign a petition, or serve on a formal Project Area Committee.

Active participation by interested citizens will ensure that:

- ❖ Community and neighborhood interests and needs are considered;
- ❖ The residents and property owners will share in the benefits flowing from redevelopment activities;
- ❖ The residents and property owners will participate in the decision-making process affecting their neighborhood; and

- ❖ The residents and owners are aware of, and informed about, the redevelopment process and activities.

How long do I have to wait for some of the Redevelopment benefits to reach me?

Redevelopment will not occur overnight. It takes hard work and active citizen participation. Many people are impatient to see the first shovel full of dirt turned, the first decaying building cleared, and the first signs of new construction and rehabilitation of buildings take place. However, careful planning and proper phasing of development is critical to a successful plan. Hasty development or approval of the wrong projects can actually delay the full benefits of redevelopment and can hamper future efforts.

In redevelopment, as in other facets of life, haste can make waste. It is essential to make the right choices so that the objectives of the redevelopment plan and the community goals can be achieved. The implementation of the redevelopment program is an essential element of the agency's annual budget process. Therefore, redevelopment projects approved as part of the annual budget will be undertaken during the budget year.



FINANCING THE PROGRAM

How are property taxes determined?

With the passage of Proposition 13 in 1978, a formula for establishing property taxes was approved to be used statewide. This formula provided that property taxes would be based upon a rate of approximately 1 percent of the market valuation of property. In addition, properties may be taxed to repay voter-approved bond indebtedness or special assessments.

What is Assessed Value?

Pursuant to Proposition 13, the assessed value of property is based upon its market value. Property is reassessed by the county assessors under the following circumstances:

- ❖ Up to an additional 2 percent of the assessed value is added to the property each year to keep up with inflation and population growth;
- ❖ New improvements or rehabilitation of the property will cause reassessment; and
- ❖ The sale or transfer of title in the property will initiate reassessment.

For example, if your property has an assessed valuation of \$100,000 today, the taxes paid on that property cannot exceed 1 percent (\$1,000 per year) plus the amount of any voter-approved special taxes. Each year, the property can increase in assessed value by no more than 2 percent over the previous year. Therefore, the next year the assessed value cannot exceed \$102,000 and taxes at 1 percent would not exceed \$1,020. Redevelopment has no effect on the assessment or tax levy process. Redevelopment agencies do not levy a property tax.

Will Redevelopment increase my taxes?

When redevelopment activities are successful, the property values within, as well as around, the redevelopment project area will increase. The higher taxes resulting from the sale of property or new construction will reflect a rise in property values, not an increase in tax rates. The changed image of blighted areas and improved economic base will increase the marketability of property in the area. Property not readily saleable today because of the deteriorating conditions will become marketable. Redevelopment tends to increase the value of property but does not increase property tax rates.

How does the Redevelopment Agency receive tax dollars?

When the redevelopment project area is adopted, the current assessed values within the project area only are designated as the "base year." This includes the assessed value of all land and improvements within the boundaries of the project area.

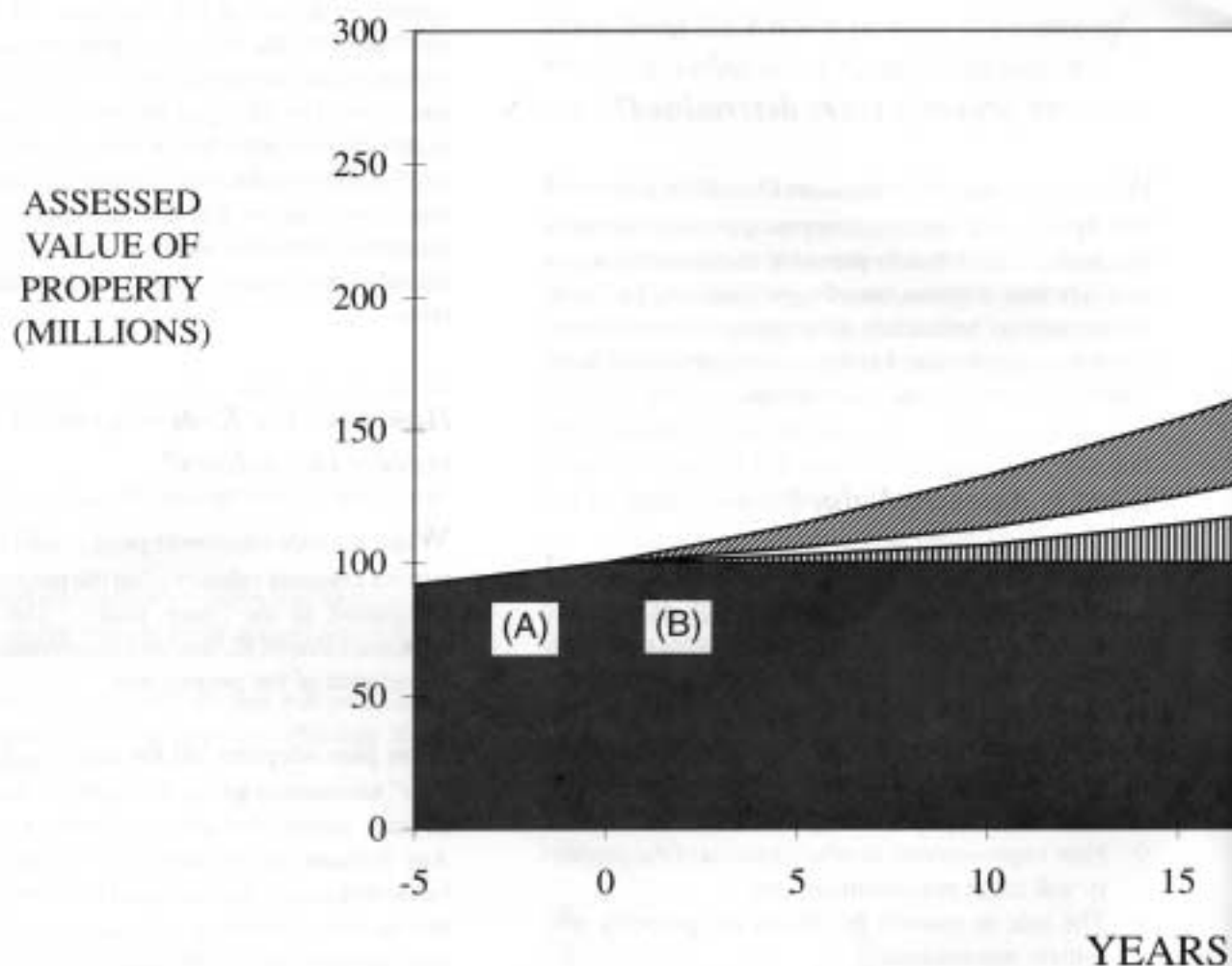
After plan adoption, all the taxes paid on this "base year" assessment go, as they always have, to the city, county, school districts, and other taxing agencies. Any increase in assessed value above this base year value within a project area and the taxes resulting from this increased assessed valuation per the standard tax rate becomes the main source of revenue for the agency.

What is Tax Increment?

As the redevelopment plan is implemented, the improvements will result in an increase in property values within the project area. However, these increases in value will not result in increased taxes to individual property owners, unless there is a change in ownership or new construction (in other words, Proposition 13 still applies). The increases in value due to the changes

(continued on page 17)

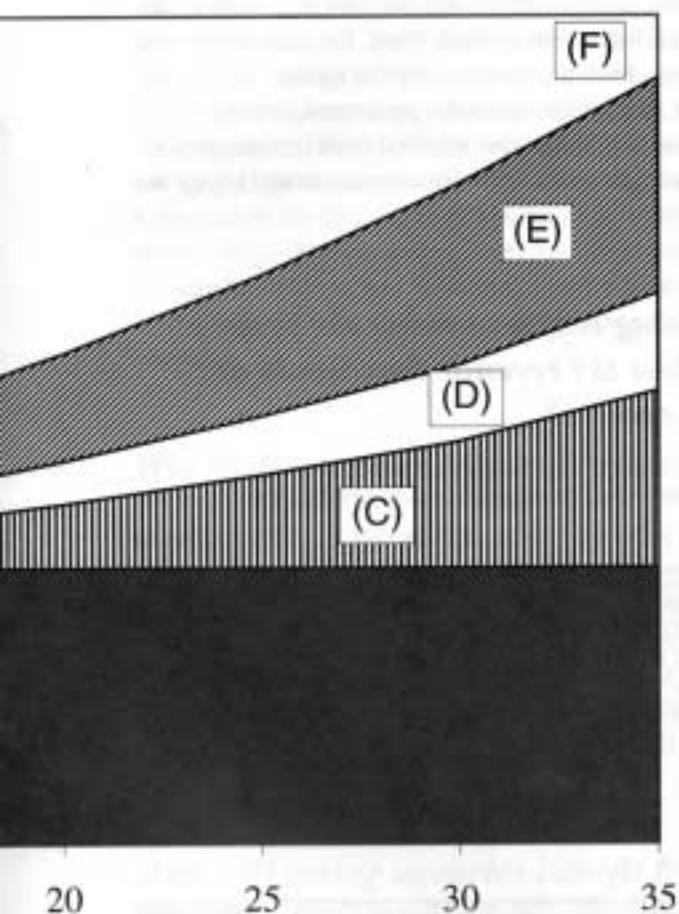
HOW A REDEVELOPMENT PROJECT IS FINANCED WITHOUT



(A) Before a redevelopment project area is formed, all property tax revenue goes to the county, city, schools, and special districts. In a blighted area the tax revenue is usually stagnant or lags behind the increases in land values of areas without blight.

(B) When the redevelopment project area is formed, all tax agencies continue to receive the tax revenue they received before the redevelopment agency was formed.

TAX INCREASE



(C) The redevelopment agency shares a mandatory amount of the increased property tax revenues with the county, school districts, special districts, etc., using a formula in the law. This is intended to offset significant detrimental fiscal impact due to redevelopment. The redevelopment agency passes these tax revenues through to the taxing agency each year.

(F) At the end of the redevelopment project (typically 35-45 years), after all agency debts are paid, the redevelopment project is terminated and all tax revenue from the increased assessed value created by redevelopment of the area goes to all other tax agencies in the project area in proportion to their tax rates.

(E) As property is sold and as new construction (private and public) occurs in the redevelopment area, the assessed value of the property goes up. This causes tax revenue to increase even though the tax rate does not change. The increased tax money is known as "tax increment." It is used by the redevelopment agency to pay the expenses of improving the area and eliminating blight.

(D) Twenty percent of the "tax increment" must be set aside into a special fund for low- and moderate-income housing programs administered by the redevelopment agency.

What is Tax Increment? (continued)

in ownership and new construction will increase the tax revenues generated by the property. This increase in tax revenue is known as "tax increment." For example, if property was assessed at \$100,000 this year, the taxes paid by the property owner at the standard tax rate of 1 percent would be \$1,000 pursuant to Proposition 13. If, as a result of new construction on the property, the property increases in assessed valuation to \$500,000, the taxes paid by the property owner at the same standard tax rate would be \$5,000. The \$4,000 increase is called "tax increment" and it is these funds which can become the revenue of the agency.

Are there other sources of money to finance Redevelopment activities?

The flow of the agency's share of tax increment revenues and other funds may not be sufficient to finance the full realm of redevelopment activities and projects on a pay-as-you-go basis. Therefore, the agency may issue tax allocation bonds. The bond funds will then be used to implement the redevelopment plan. In effect, the bonds are a loan of money to the agency.

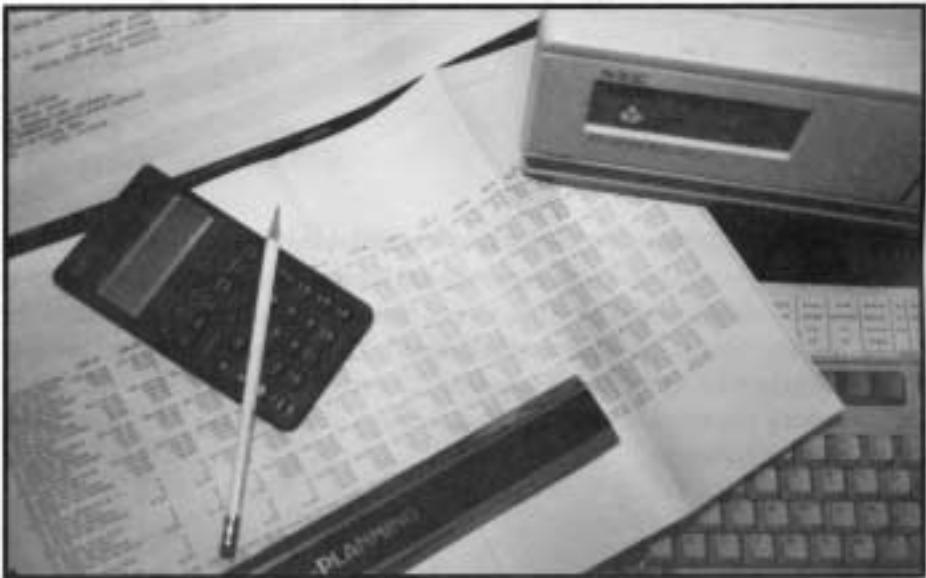
In addition, the agency can receive loans, grants, or other financial assistance from a city/county or other agencies including the various agencies of the state and federal governments or from private sources.

How are the tax allocation bonds and loans repaid?

Tax allocation bonds and loans are solely the financial obligation of the agency, not the city or county. The bonds or loans are repaid from the tax increment revenues which are received by the agency each year. In other words, tax revenues generated through redevelopment activities are funneled back into the project area to stimulate additional development and to pay the costs involved.

Do taxing entities serving the project area lose tax revenue they would normally receive?

As pointed out previously, taxing entities such as the county, school districts, and special districts that serve the project area continue to receive all tax revenues they were receiving the year the redevelopment project was formed (the base year). In addition, they will receive a gradually increasing amount of the tax increment each year in accordance with a complex formula written into the law.



Does the Agency automatically receive the tax increment?

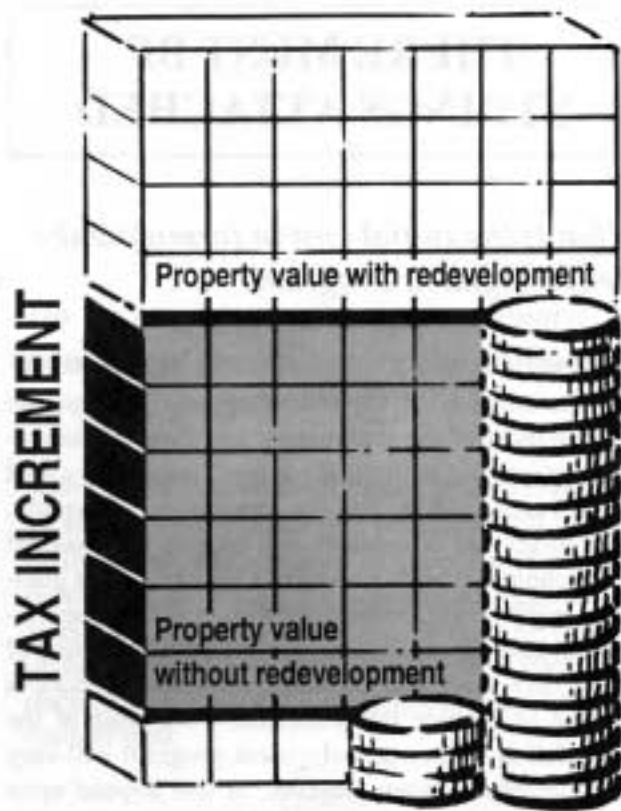
The agency can only receive annual tax increment if it can show that it has created a debt which is an obligation of the agency. Debt can be created by the sale of bonds, the receipt of loans or advances of funds, the financial obligation to pay the cost of a project, or other obligations of the law. Debt which has not been paid for by the agency is considered outstanding indebtedness and is an obligation of the agency and not any other entity. At the conclusion of the project and after all debt has been repaid, the tax increment flow created by the redevelopment project is returned to the taxing entities.

Will Redevelopment raise tax rates?

The redevelopment agency has no power to set tax rates. Tax rates of agencies such as the county and special districts can only be raised by actions of a governing body (other than the redevelopment agency) or by a vote of the people. If this occurs, then all property within that jurisdiction's boundaries, including the project area, will face higher taxes.

How will taxing agencies benefit from a redevelopment project?

At the end of the redevelopment project life (typically 35 - 45 years), the taxing agencies will receive property tax revenues based on the new higher value in the redevelopment project area. The tax increment which was flowing to the agency will then flow to all of the taxing agencies. Thus, the other taxing agencies will reap the revenue benefits of the redeveloped and revitalized project area when the project is completed.



Are school revenues adversely affected by Redevelopment?

School financing in California has dramatically changed during the last fifteen years. Consequently, school districts have become more aggressive in exploring alternative avenues to finance capital facility needs. Tax increment financing does not reduce revenue allocated to schools because existing state school funding formulas offset any gain or loss in property tax revenue. In addition, school districts and community college districts receive a portion of the redevelopment tax increments.

THERE MUST BE STRINGS ATTACHED

What is the initial cost to formulate the Redevelopment Program?

The formulation of a redevelopment program, including the creation of the redevelopment agency, the development of the preliminary and final redevelopment plans, the preliminary report, survey area and project area studies, and the preparation of reports, resolutions and ordinances will require professional and technical experts who have a background in planning, engineering, redevelopment, economic and financial analysis, and law. A project team consisting of the agency staff and outside consultant advisors is formed to provide this expertise. The cost of the formulation of the redevelopment program will vary considerably between projects. It will depend upon time required by the project team to complete specific tasks, the size of the project area, and the need for special studies to identify blighting deficiencies and costs to revitalize the project area. Typically, the city or county advances a loan to cover the operating costs during the first few years.

Doesn't the law require the Redevelopment Agency to undertake housing projects?

Affordable housing is increasingly important to community redevelopment. There are many outstanding examples of redevelopment through new housing construction and rehabilitation of older units. The redevelopment law requires that 20 percent of the tax increment be spent to improve the quality and/or quantity of housing for very low-, low-, and moderate-income families and persons.

Does the law require limitations on the Redevelopment Program?

In formulating the redevelopment plan, limitations are established for various aspects of the redevelopment program. These include: (1) the length of time the redevelopment project area and plan will be in existence; (2) the time in which eminent domain may occur; (3) a time limit on the establishment of loans, advances, and indebtedness to finance the project; (4) a limitation on the amount of bonded indebtedness which can be outstanding at any one time; and (5) a limitation (20 percent) on the amount of vacant land that can be included within a project area.

Do politics of the community play an important role in the decision to use Redevelopment?

Redevelopment has gone through many major changes due to its increased use by communities in differing political climates. When understood, redevelopment is seen as a positive and constructive tool for the community to use. If misunderstood or misrepresented, it can become a controversial issue where timing and politics in the community become a significant element of the entire process. However, in recent years elected officials and citizens have become knowledgeable regarding the redevelopment process and citizen input is generally thoughtful and constructive.

SOUNDS GOOD! WHAT IS THE NEXT STEP?

What should we do first?

The governing body of the community can establish a redevelopment agency after determining initial need for the redevelopment agency to exist. Then a survey area is established and redevelopment feasibility studies conducted. The end products (1) identify existing deficiencies and problems in the area; (2) determine the economic constraints and opportunities; (3) define potential redevelopment projects and programs; (4) clarify the legalities associated with implementation of the redevelopment program in the community; (5) identify blight characteristics in the area; and (6) define a project area.

When can we start Redevelopment activities?

Before actual implementation of the redevelopment program, the project area must be selected and a redevelopment plan must be prepared and approved. These are formulated in conjunction with the preliminary plan and a public hearing process. Prior to approval of the redevelopment plan, no redevelopment funds can be used for capital projects; however, funds can be expended for administration, planning and overhead.

Do we need to retain a redevelopment consultant for preparing the Redevelopment Program?

The redevelopment plan adoption process is a long (8-12 months) and complicated procedure that will normally require the retention of experienced staff or a redevelopment consultant and special legal counsel. Very few cities or counties have staff that are qualified or have the time to prepare necessary studies and documents that are required by law to adopt a redevelopment plan.

OK, we're ready!

If you have reached this point, you're ready to undertake a significant step forward in the redevelopment, revitalization, and reinvestment of your community.



REDEVELOPMENT GLOSSARY

Absentee Owner: Property owner who owns property at one location but lives or operates a business at another location.

Assessed Value (AV): The amount used by the county tax assessor to value real property for tax purposes. Assessed value is generally the market value of property. Assessed value multiplied by the tax rate determines property tax.

Base Year: The year in which the redevelopment plan is adopted.

Base Value: The total assessed value of property within a project area in the year in which the redevelopment project is approved.

Blighted Areas: Areas and/or structures of a community which constitute either physical, social, or economic liabilities requiring redevelopment in the interest of the health, safety, and general welfare of the people of the community and the state.

California Community Redevelopment Law: Redevelopment law of the state contained in California Health and Safety Code, Division 24, Part 1 (Section 33000 *et seq.*).

Deteriorating Area: Refer to "blighted area."

Demolition: Clearance or removal of a structure in order to carry out the redevelopment plan.

Eminent Domain: Authority of a government agency to acquire property for public purposes (not to be confused with meaning public buildings and improvements only). Also known as condemnation.

Infrastructure: Public improvements which support development, including street lighting, sewers, flood control facilities, water lines, gaslines, telephone lines, etc.

Market Value: What a willing seller could reasonably expect to receive if he/she were to sell the property on the open market to a willing buyer.

Negotiated Sale: When the price to be paid for land and improvements is mutually agreed upon by the buyer and seller.

Project Area: The area which is designated in the redevelopment plan for redevelopment and revitalization.

Project Area Committee: Elected citizens' committee composed of project area residents, businesspersons, and representatives of organizations to consult with and advise the agency.

Property Tax: The amount of tax which a property owner pays on the value of his/her property. The tax is calculated by multiplying the assessed value of the property by the tax rate, which is 1 percent plus any voter approved increase.

Redevelopment: Planning, development, replanning, redesign, clearance, reconstruction, or rehabilitation of all or part of a project area.

Redevelopment Agency: The governing body created to designate redevelopment project areas, supervise and coordinate planning for a project area, and implement the development program.

Redevelopment Plan: Plan for revitalization and redevelopment of land within the project area in order to eliminate blight and remedy the conditions which caused it.

Rehabilitation: To improve, alter, modernize or modify an existing structure to make it safe, sanitary, and decent and/or bring it up to building code standards.

Relocation: The effort to assist and facilitate rehousing of families and single persons, businesses or organizations who are displaced due to redevelopment activities.

Relocation Assistance: Relocation payments help to assist families, individuals, businesses, and non-profit organizations which are displaced as a result of redevelopment activities. This includes aid in finding a new location, payments to help cover moving costs, and additional payments for certain other costs.

Tax Allocation Bond: A bond or financial obligation issued by the agency in order to generate funds to implement the redevelopment plan. The bond is repaid with tax increments flowing to the agency as a result of actions of the agency to revitalize the project area.

Tax Increment: The increase in property taxes within the redevelopment project area that result from increases in the project area assessed value that exceeds the base year assessed value.

The Citizen Guide is published by the:

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